

The Impact of Organizational Culture on Employee Performance

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Abstract: *In a global context defined by political uncertainty, societal polarization, environmental concerns, and escalating resource limitations, companies are faced with unprecedented challenges in successfully pursuing their growth ambitions, focusing on relevant value propositions and continuously developing their competitive advantages. In addition, evolving demands from markets and stakeholders and escalating pressure to meet modern expectations can also lead to prioritizing strategies in areas such as corporate identity, sustainability advocacy, workforce engagement, and performance management, as means of achieving ongoing organizational development. The purpose of this paper is to explore the connection between organizational culture and employee performance, by reviewing relevant literature, clarifying key aspects influencing organizational culture and employee performance respectively, as well as potentially correlating them in terms of impact within the wider ecosystem of a strong organization that encourages ongoing performance improvement. The results obtained from the research were synthesized into a proposed conceptual framework designed to be applied in organizations aiming to adapt their cultural transformations to a people-centered mindset, focused on growth and improved organizational performance.*

Keywords: organization; organizational culture; performance; employee performance; performance management.

Introduction

Employee performance is influenced by a variety of factors and circumstances, making the object of extensive studies as well as of corporate operational focus. As a driver of team effectiveness and even further, as an essential component of overall company success, employee performance is frequently defined, measured, analyzed, evaluated, rated, improved upon, and reported on most frequently as an individual metric – however, it is perhaps less considered in the wider context of organizational culture. Interest in this topic has grown as management experts increasingly recognize organizational culture as a strategic tool for improving employee performance. It is what gives the company its human identity, profoundly influencing the way the organization's members think and act in a long term perspective (Bratianu, 2022; Bratianu & Murakawa, 2004; Dragomir, 2019).

This paper focuses on documenting the relationship between individual performance, professional development, and organizational culture and on exploring the key factors that impact employee performance.

The objectives of the research are focused on the following key aspects:

- Reviewing the main organizational culture characteristics and concepts;
- Addressing the key influencing factors that impact employee performance;
- Exploring organization culture's impact on employees performance;

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- Modelling a proposed conceptual framework of effective employee performance management, within a well-defined organizational culture.

The results obtained from the research were synthesized into a proposed conceptual framework designed to be applied in organizations aiming to adapt their cultural transformations to a people-centered mindset, focused on growth and improved organizational performance. The paper is further structured in the following sections: literature review, the research methodology, analysis and discussion of the results obtained, and finally, conclusions of the study and future research directions.

Literature review

Organizational culture

The purpose of the organization, often referred to as the mission of the organization, is a powerful cohesive force that gathers people together into teams, mobilizes resources, time, and efforts, drives the creation of systematic approaches to overcome obstacles, fosters group motivation or enables innovation to thrive in the process of successful achievement. It is often a reflection of the founders' own values materialized in internal systems and is followed by employees through leadership by example as stated by Edgar H. Schein (2019). Further exploring the concept of "culture," the same author defines "culture" as "shared assumptions" unconsciously held by a group of people and reinforced as common practices in response to the internal or external challenges of the organization.

Within the company, culture is present at the level of the *cultural practices* – symbols, rituals, behavior standards – and of the *values* – the knowledge acquired and shared by the members of the company, based on which they interpret the organizational reality and outline their organizational behavior (Bratianu & Bejinaru, 2023). Perhaps one of the earliest and most succinct definitions of organizational culture was formulated by Marvin Bower, former CEO of McKinsey & Company, as "the way we do things around here" (Bower, 1966). His strong belief that corporate philosophy should be based on competitiveness and ethical conduct remains fundamental to his company's set of guidelines, holding employees accountable for their behavior and measuring their performance.

Geert Hofstede (2001) refers to organizational culture as "the programming of the human mind by which one group of people distinguishes itself from another group". Shared values are further emphasized as powerful factors driving mutually agreed practices, which are learned together as a consciously formed, structured association of people (Hofstede, 2010). According to this perspective, the concept of culture is defined by values, symbols, heroes, and rituals. At the organizational level, culture revolves around values shaped by shared symbols, myths, and legends, varying based on the organization's unique characteristics, such as leadership style, communication methods, decision-making processes, organizational structure, and approaches to conflict resolution. In essence, organizational culture emerges is formed through the collective integration and ongoing interaction of the values, beliefs, and aspirations of its members. Simultaneously, it is influenced and shaped by internal organizational factors, which distinguish it and lend significance to specific types of work and behaviors.

The organizational culture refers not only to the substantiation and conveyance of certain values within the company but also to the employees' attitude towards change. It can be described as a set of shared beliefs, norms, and values within an organization that shape the behaviors and interactions of its members, significantly influencing the way activities are carried out (Armstrong, 2021). According to Bratianu (2021, p.18), "organizational culture is an organizational phenomenon primarily based on emotional and spiritual knowledge" and plays a decisive role in the organization's change processes.

In the context of globalization and corporate multicultural workplaces, the term “organizational culture” has evolved to also encompass additional elements that foster a sense of identity among an increasingly diverse workforce. DEIB, which stands for diversity, equity, inclusion, and belonging, is a comprehensive framework designed to address the various aspects of organizational culture (Carasco, 2024).

Employee performance

The meaning of the word “performance” is complex and multi-faceted, deeply rooted in consistently acting and in corresponding achievement. In most situations, the focus has largely been on outputs and outcomes (Ashdown, 2014). Specific levels of evaluation are essential to bring clarity to the scope of the concept. According to Uddin, Luva and Hossian (2013), performance can be understood as the physical and psychological ability to perform a certain task in a precise manner and can be measured on various scales, namely: high, medium or low. A well-rounded performance characterization needs to fully consider both complementary aspects of input (behaviors) and output (results). According to Armstrong (2021), individual performance encompasses not only the outcomes achieved but also the behaviors that contribute to those outcomes.

Employee performance covers various aspects of individuals’ capacity to complete tasks according to their job descriptions, meet stakeholders’ expectations associated with their roles, or contribute to organizational objectives achievement in a consistent manner. Apart from operational skills, the concept also refers to desirable attitudes and personal qualities such as reliability, determination, and consistency.

In the context of professional achievement within organizational processes, a structured approach to understanding the concept is required, based on transparent and objective evaluations. Performance evaluation is a cornerstone of a company's philosophy, as it is more objective and data-driven than assessing employees' qualities or skills. This approach is closely tied to a focus on tangible results. According to Bower (1966), successful organizations tend to assess employees based on their actions and accomplishments rather than their personal attributes.

Linda Ashdown (2014) emphasizes the importance of individual contributions to achieving company goals and their connection to employee performance as a driver for creating value. She argues that there is a real benefit for an organization in focusing all its people on the right things to add value. However, in many organizations, the connection between organizational goals and individual contributions is either weak or completely absent, which can negatively impact both individual and organizational performance.

Performance management

A well-defined and comprehensive definition of performance management is provided by Michael Armstrong (2021). He describes it as a continuous process of performance improvement, which involves setting individual and team objectives aligned with the organization's strategic goals, planning activities to achieve them, monitoring and evaluating progress, and developing employees' knowledge, skills, and competencies.

Other authors (DeNisi & Pritchard, 2006) suggest that performance management goes beyond merely evaluating and measuring employee performance; it also encompasses a proactive process of motivation and continuous improvement. This approach involves identifying and nurturing an individual's drive for self-development and higher performance, with the ultimate objective of enhancing overall organizational performance. Therefore, performance management aims to implement strategies that encourage employees to improve their skills, behaviors, and outcomes. This process contributes to achieving the organization's objectives and enhancing the overall performance of the company.

Methodology

This study is conceptual in nature. The research methodology relies on a critical analysis of specialized literature, direct observation of corporate culture, and the examination of data provided by employees and managers from both local and international multinational companies. The authors propose a conceptual model that highlights the key determinants influencing and facilitating employee performance within a well-structured organizational culture. The central hypothesis suggests that in strong organizational cultures, the ongoing cycle of employee improvement must be focused and structured. This ensures that the performance management process is aligned with company goals and effectively translated into individual objectives, which are periodically reviewed, assessed, and quantified.

Results and discussions

Factors impacting individual performance

Individual performance can be influenced by a variety of workplace-related factors. Acknowledging and fully understanding these factors contributes significantly to creating a supportive environment. The diagram below (Figure 1) illustrates a selection of factors associated with internal processes, development tools, and managerial practices that can foster successful individual performance.

Individual Development Plans	Continuous Development	Employee Engagement	Wellbeing at Work
<ul style="list-style-type: none"> Well-structured plans align an employee's goals for development and growth with the business needs; They should include current and future skills that the employee needs to develop for successful delivery of their current function or in preparation for future opportunities. 	<ul style="list-style-type: none"> Consistent, constructive and frequent feedback provided on their work helps employees understand their strengths and areas for improvement; Providing resources for continuous learning and growth helps employees stay updated with the latest skills and knowledge, which in turn improves their performance. 	<ul style="list-style-type: none"> Engaged employees are more likely to contribute creatively and innovatively; Engagement is linked to higher profitability, customer satisfaction, and overall business success; Factors such as feeling heard, having a sense of purpose and flexible working conditions can significantly boost engagement. 	<ul style="list-style-type: none"> Prioritizing the physical and mental well-being of employees is essential for their ability to perform; A healthy work-life balance and opportunities for personal growth contribute to better performance. Recognizing achievements and offering support consistently are key managerial actions that can enhance employee wellbeing at work.

Figure 1: Factors influencing employee performance
(Source: Author's own research)

Diamantidis & Chatzoglou (2018) propose a structured, hypothetical framework for employee performance, correlating three types of factors: company-related, job-related and employee-related. Figure 2 presents a visual model for the employee performance framework.

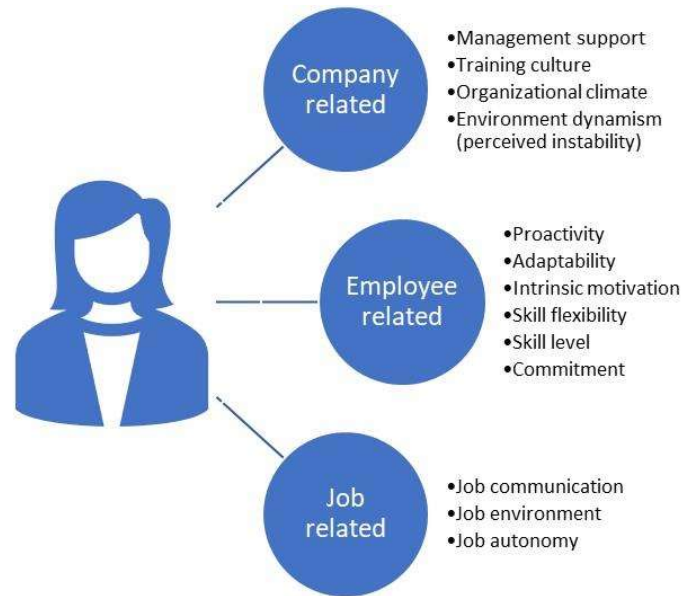


Figure 2: Visual model for employee performance framework

(Source: Adapted from Diamantidis & Chatzoglou, 2018)

Armstrong's (2021) comprehensive perspective describes three main categories that influence individual performance, each including a subset of impact factors, namely:

- *Individual factors*

Performance is a function of ability and motivation, both of them indispensable and equally needed for employee successful performance.

- *Systems theory*

Systems theory is the basis of the input-process-output-outcome model of managing performance, which assesses the entire contribution that an individual makes within the system in carrying out his or her allotted tasks.

- *Contextual factors*

Company context includes the organizational culture, the employee relations climate, the people involved, organizational structure, size of the organization, technology and working practices, the external competitive, business, economic and political environment.

Aspects that can be either directly or indirectly linked to organizational culture, impacting employee performance, are consistently encountered in references such as literature and practice - therefore providing the basis for further exploration in the next section of this paper.

Characteristics of a strong organizational culture

Strong organizational cultures are complex and multi-faceted, therefore rather difficult to represent in a one-size-fits-all format. However, there are certain characteristics that can help recognize and better understand the fundamental aspects of an effective organizational culture, namely:

- *Well-defined values and goals*

The core principles and ethical standards that guide the company's actions are clearly formulated, communicated as fundamental priorities and followed consistently in the decision-making process.

- *Company standards*

Shared norms are followed unconsciously by employees, driving desirable behaviors within the organization (for instance employee interactions and ways of working).

- *Cohesive visual identity*
All branding-related aspects (logos, slogans, etc), office design, dress codes systematically convey a sense of company identity.
- *Leadership style*
Leaders communicate on a timely and transparent manner, make data-driven decisions, and interact authentically and frequently with employees.
- *Communication patterns*
There are multiple communication channels in place, allowing information to flow unrestricted throughout the organization at all levels.
- *Psychological safety and wellbeing*
Employees are consistently supported, transparency is encouraged at all levels and workplace health-related programs are accessible.

General traits such as company flexibility, endurance, and employee inclusiveness are always valuable. However, a more in-depth psychological (re)profiling is crucial at the organizational level to elicit substantial benefits in the long term (Carasco, 2024). Figure 3 presents a holistic framework for transforming organizational culture.



Figure 3: A holistic framework for transforming organizational culture
(Source: Carasco, M., 2024)

According to Carasco (2024), there are four main high-level categories of elements for cultural transformation as briefly described below:

- *Understand psychological contracts*
- Psychological contracts describe the mutual expectations of a company and its employees, as well as the connections between an organization's values and those of its members.
- *Establish psychological safety*
- Psychological safety describes an environment where employees are free to express thoughts, ideas and concerns without fearing repercussions.
- *Cultivate cross-company partnerships*
- Cross-company partnerships refer to internal, mutually rewarding collaborations designed to support transformational projects (inter-departmental, cross-geographical, multi-disciplinary).
- *Leverage inclusive employee engagement*
- This element refers to actively involving internal stakeholders in any change that the company is trying to implement, by soliciting their input and active participation.

Impact of organizational culture on employee performance

Organizational culture could be compared in a sense to the company's personality: its shared values, beliefs and behaviours significantly shape the internal processes, operating

procedures, individual performance and the overall progress towards reaching shared company objectives.

In addition to the successful management of day-to-day activities, cultures that encourage creativity and a certain degree of risk taking can also enhance innovation and progress by learning from failure, instead of fearing and discouraging it. Employees tend to come up with more improvement ideas and solutions when they are supported in their endeavours towards problem-solving and exploring out-of-the-box approaches. Such a cultural model, characterized by a low level of formalization and participative involvement, fosters an environment of trust and cooperation in which employees feel appreciated and valued to their fullest potential (Dragomir, 2019).

Several aspects of organizational culture detailed below are in fact positively influencing employee performance, by creating and promoting environments conducive to an overall improved workforce state of mind and ultimately to enhanced results (Figure 4).



Figure 4: Organizational culture aspects positively influencing employee performance

(Source: Author's own research)

According to Armstrong (2021), the role of organizational culture is also paramount in the context of an effective and ultimately successful performance management process. In his view, cultural aspects within an organization must be considered when developing and implementing performance management. A strong organizational culture should be aligned with performance management processes. In turn, performance management can be an important tool in a cultural change program, where the focus is on high performance, engagement, and involvement.

On the other hand, improperly managed, negative or flawed organizational cultures can trigger potentially harmful consequences on employee wellbeing, development and performance for individuals as well as teams and the overall organization. As per a recent study conducted by MIT Sloan Management Review in 2022, toxic cultures are in fact proven to deeply affect people and their companies alike. The study shows that employees exposed to a toxic organizational culture are more likely to experience stress, anxiety, depression, and burnout, which can eventually lead to serious physical illnesses. Additionally, in the long term, a toxic culture negatively impacts organizational performance (Sull & Sull, 2022).

From a different viewpoint, unexpected catastrophic events (such as the global SARS-COV2 pandemic) could prove in the long run to be catalyst for positive and swift internal change, as well as a test for organizational cultures degree of health and robust support provided to employees. According to Țițu et al (2024), the Covid-19 pandemic brought about profound changes in organizational culture and highlighted the capacity of

organizations to adapt and demonstrate resilience. Companies with a strong culture of flexibility and adaptability respond better to crises and are more likely to remain resilient in the face of major environmental disruptions. A strong organizational culture, focused on employee care, can mitigate the negative impact of crisis situations on employee performance.

Leading a culturally strong organization

A truly holistic analysis also needs to consider how very specifically managers/leaders are involved, given their position as employees with a very different role to play in the organizational culture building or transformation. Undertakings of such magnitude at company level usually begin with leadership taking accountability for thoroughly driving the process, remaining fully immersed in the strategy and design stages, while afterwards establishing a committed network of internal stakeholders fully engaged for later operational stages and delegating appropriate roles and responsibilities throughout their teams as progress unfolds.

The way leaders think, act and respond to various circumstances is often the foundation of the organizational culture. Their personal example is assimilated into internal processes and operating procedures, influences team mentalities in the workplace and is embedded in the “what” and “why” is accomplished in the long term by the company. Effective leadership begins with establishing a thriving organizational culture by systematically moulding and structuring values, beliefs and practices into a cohesive framework. In addressing the systemic description of organizational culture, Schein (2019) defines the three levels of organizational culture that contribute to strengthening an effective organizational culture as follows:

- *Artifacts*
This covers the tangible aspects of culture and represents all visual representations of culture, such as branding materials or dress codes.
- *Common beliefs and values*
This level includes any shared goals, ideologies or aspirations that drive the company forward (such as mission statements).
- *Shared assumptions*
These are the unconscious operating models within the company, the “ways we do things here” that are time-confirmed, difficult to change, and followed by employees based on collective conviction derived from inspiring leadership by example (for instance, voluntary adherence to “safety first” principles).

The benefits of a strong organizational culture are widely recognized at the senior management level and are perceived as closely linked to tangible business advantages. According to a study conducted by Donald Sull and Charles Sull (2022), over 90% of CEOs and CFOs in North America believe that improving their corporate culture would enhance financial performance. In their view, organizational culture has a significant impact on outcomes, alongside strategy and innovation, as evidenced by other studies in the literature (Liu, Tsui & Kianto, 2021).

Additionally, effective leadership that maintains strong cultures even through unprecedented crises (e.g., a global pandemic and corresponding social trends such as the Great Resignation) reaps benefits through improved employee loyalty, ongoing engagement, and a comparatively stable reputation. The study conducted by Sull et al. (2022) shows that companies with strong organizational cultures, such as Southwest Airlines, Johnson & Johnson, Enterprise Rent-A-Car, and LinkedIn, were able to maintain a lower turnover rate compared to the average during the first six months of the Great Resignation.

In contrast, being aware of how poor leadership can contribute to the opposite effect on culture (from “strong” to “toxic”) can in turn prevent falling into the negative patterns that propagate top-down at organization level. In fact, defective leadership seems to have a

decisive influence on strong organizational culture, as one of the most important factors to either build or erode it. Through their behaviors, leaders and managers can play a significant role in fostering a toxic culture within the organization. In a 2023 Forbes study, Mark Perna identifies several leadership behaviors that contribute to the development of a toxic work culture, including unrealistic expectations of leaders (such as asking employees to work extra hours or weekends without additional pay), poor communication, failure to listen to employees, and lack of accountability.

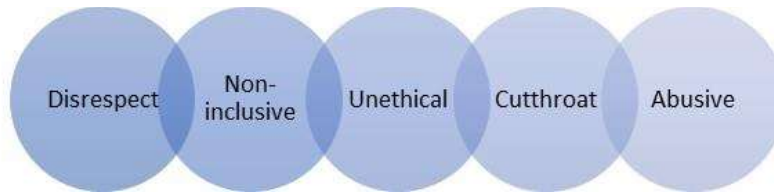


Figure 5: The 5 attributes of toxic culture
(Source: Adapted from Mark C. Perna, 2023)

A conceptual framework proposal, to enable high employee performance in a strong organizational culture

As organizational culture positively impacts employee performance by creating supportive and motivational environments, it can be argued that the reverse is also true – that high performing employees are also driving their companies towards success and therefore, also shape and enhance their culture for the best. Several key aspects are summarized in Figure 6.



Figure 6: Employee high performance impacting organizational growth
(Source: Author's own research)

Good performance management practices also highlight the importance of genuine concerns and structured action for continuous learning and development of the employees, as a premise for their professional advancement. In strong organizational cultures, the ongoing cycle of employee improvement needs to be focused and structured, ensuring that the corresponding performance management process is deeply rooted in company goals, which are clearly and appropriately translated into individual objectives. These objectives should be reviewed, assessed, and quantified periodically, taking into account both achievements and behaviors. The performance management process model is summarized in Figure 7.



Figure 7: Performance management process
(Source: Author's own research)

In addition, as a important pre-requisite, a healthy climate of continuous feedback and mutual trust is essential for the performance management process to be effective. Employees have increasingly higher expectations regarding how they are valued within the organization. A cultural model characterized by a low level of formalization and participative involvement promotes an environment of trust and cooperation, where employees feel appreciated and are able to reach their full potential (Dragomir & Pânzaru, 2013). When employees are satisfied with the tasks they perform and the recognition and trust they receive, they develop a strong sense of belonging to the organization, which motivates them to improve their performance.

Good performance management practices also highlight the importance of genuine concerns for continuous learning and development of the employees, as a premise for their professional advancement. From the individual development perspective, strong organizational cultures exhibit unique combinations of traits, practices and shared norms that lead to consistent high employee performance, with obvious benefits for the overall company success. However, there are also several recurring factors that seem to facilitate growth in the long term and were therefore grouped in the main categories of the proposed conceptual framework proposed in this paper (Figure 8).

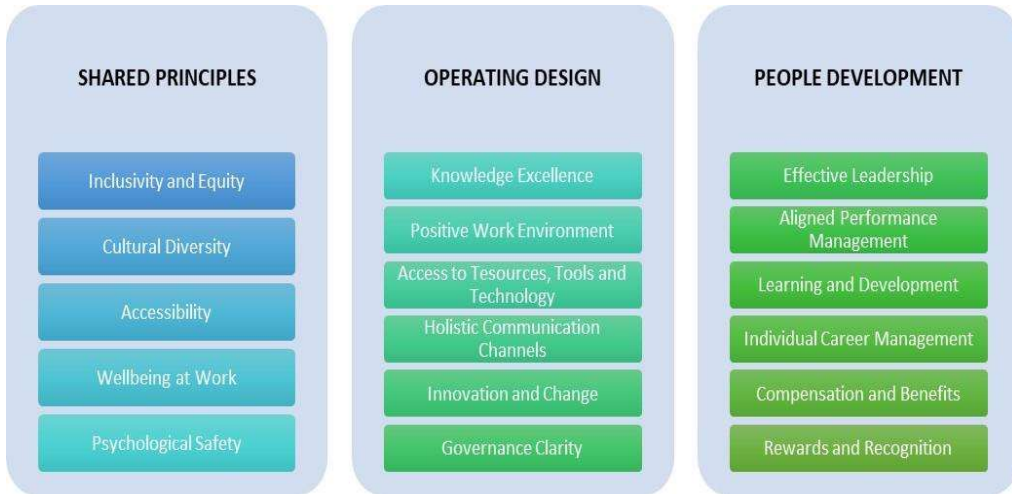


Figure 8: Proposed framework for a strong organizational culture, positively impacting employee performance
(Source: Author's own research)

Shared Principles

- *Inclusivity and equity*
An inclusive approach aligns employees with the company values and goals, fostering a sense of belonging and purpose.

- *Cultural diversity and intelligence*
Employees facing international exposure are able to successfully perform in a multicultural environment and to adapt to different mindsets and behaviors.
- *Accessibility*
Accessible workplaces incorporate assistive technologies that help employees perform their jobs more efficiently.
- *Wellbeing at work*
Encouraging a healthy balance between work and personal life helps reduce stress and prevents burnout, leading to a sustained performance.
- *Psychological safety*
When employees do not fear negative consequences, they are more likely to contribute freely their ideas and concerns, to creatively problem-solve or to learn from their mistakes.

Operating Design

- *Knowledge excellence*
Learning as an organization is valued as an integral part of the company progress in an increasingly sophisticated technological world.
- *Positive work environment*
A supportive and engaging work environment boosts employees' morale and productivity.
- *Access to resources, tools and technology*
Providing the necessary tools and resources enables employees to perform their tasks efficiently and effectively.
- *Holistic communication channels*
Open and continuous communication ensures that employees feel seen, heard, valued and important for fulfilling the company's mission.
- *Innovation and change*
Fostering creativity and adaptability encourages employees to find their own ways to enhance their contribution to company goals. Innovation, the harnessing of employees' creative potential, the assimilation and application of cutting-edge knowledge, and the transformation of these into a competitive advantage are all characteristics of a strong organizational culture. In this regard, examples of companies focused on innovation and creativity are particularly representative, with their managers identifying organizational culture as the source of their competitive advantage and sustainable performance, as demonstrated by other studies (Simoneaux & Stroud, 2014; Calciolari, Prenestini & Lega, 2018).
- *Governance (roles and responsibilities) clarity*
Clearly defined roles, expectations and responsibilities help employees understand how their work contributes to the overall organizational goals.

People Development

- *Effective Leadership*
Leaders consistently provide direction, inspire confidence and motivate employees to achieve their best results.
- *Aligned Performance Management*
Performance management plays a crucial role in influencing employee performance by providing a structured framework for setting expectations, offering constructive feedback and fostering development.
- *Learning and Development*
Continuous opportunities for learning and professional growth keep employees engaged and confident by improving their skill sets.
- *Individual career management*
Individual career management enhances employees' engagement by involving them directly in the process of setting their own career goals and development plans.

- *Compensation and Benefits*
Fair and competitive compensation, along with benefits, can significantly impact job satisfaction and therefore also performance.
- *Rewards and Recognition*
Acknowledging and rewarding good performance encourages employees to maintain high professional standards.

Conclusions

Strong organizational culture has an unquestionable impact on employee performance, by fostering engagement and alignment with inspiring goals, providing supportive practices and tools, as well as connecting individuals in effective teams that unleash innovative potential, as well as their own ambitions and efforts for personal growth. To establish clarity and common understanding of concepts relevant to the theme under discussion, this paper first reviewed several key terms: organization, culture, performance, organizational culture, employee performance, performance management.

Secondly, as per the declared scope, we have shortlisted various factors impacting employee's performance, in an attempt to form a holistic perspective on the many interdependencies that take place. Important aspects to consider include individual factors (such as ability, motivation, engagement, state of wellbeing, adaptability etc), organizational factors (such as size, values, mission, processes and systems), the nature of the work itself (job clarity, dynamism, autonomy), external environments (high level geographical, environmental, social, political or economic contexts) and even unforeseen circumstances (such as a global pandemic).

As a strong organizational culture has consistently been identified as a key factor in promoting employee performance, we have explored its main characteristics, such as well-defined goals, standards, visual identity, leadership and communication styles, employee wellbeing, as well as the more current requirements for diversity, equity, and inclusion in a multicultural society. Leveraging the impact of organizational culture on employee performance can be approached at the individual level, for instance, by creating meaning and a sense of belonging that foster collaborative mindsets and enhance innovation. Another important angle considered is the leadership perspective, which emphasizes both the crucial role leaders play in shaping organizational culture through personal example and their significant responsibility in making necessary transformations in response to an increasingly demanding environment.

In response to modern business challenges, we have synthesized relevant aspects into a conceptual framework, designed to combine insightful findings that can hopefully be applied in organizations looking to tailor their cultural transformations to a people-centric and growth-oriented mindset. Inspiring shared principles, clear operating norms and employee development priorities provide actionable guidance for implementation, which can be customized based on practical circumstances to improve organizational performance.

The authors acknowledge the limitations of conceptual research and consider future research directions. Future studies could employ both qualitative and quantitative methods to examine the impact of recent crises on organizational culture in specific sectors, such as the IT sector. Additionally, future studies could investigate how organizational culture influences employee performance in the context of digital transformations and remote work.

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